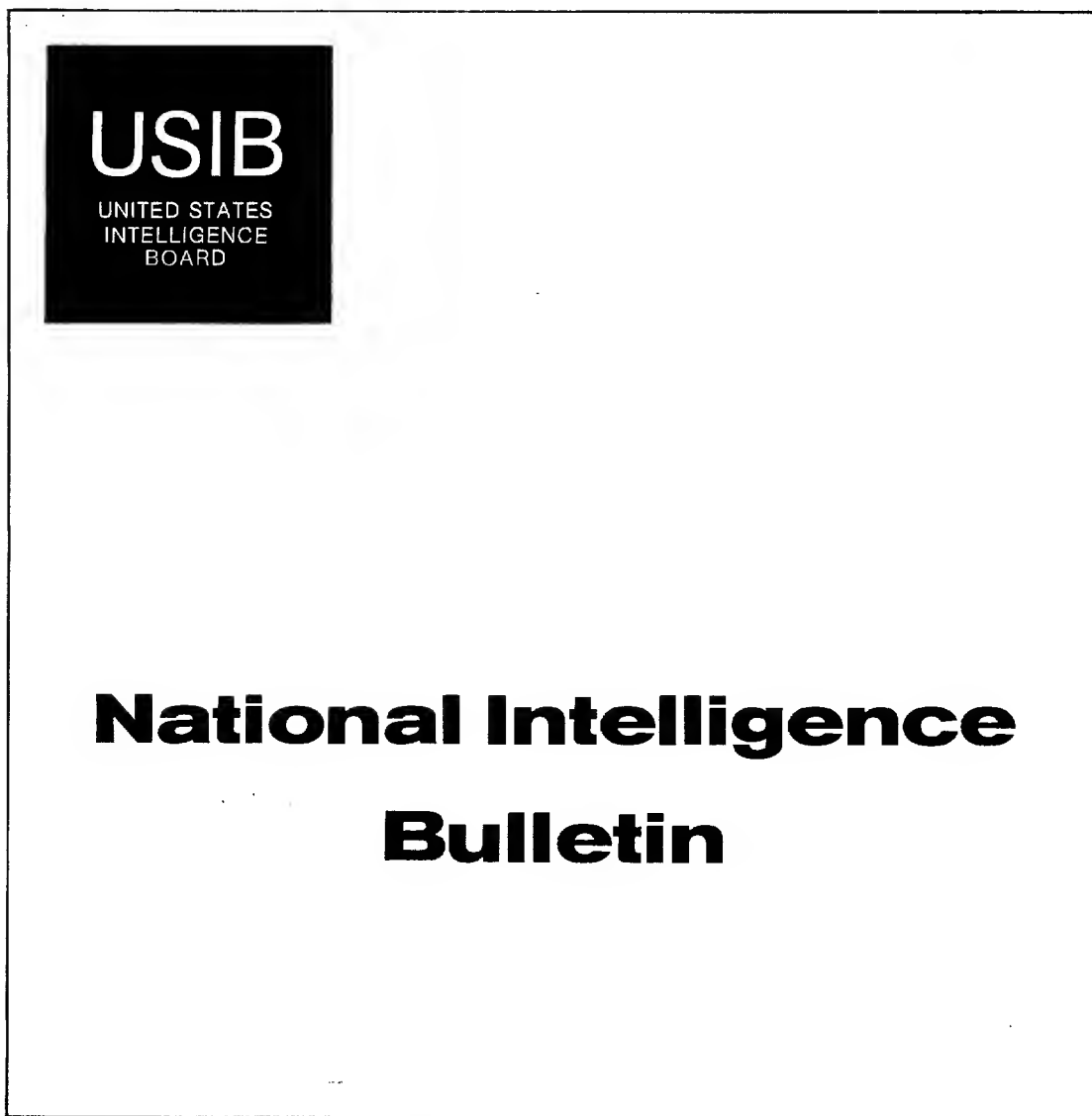


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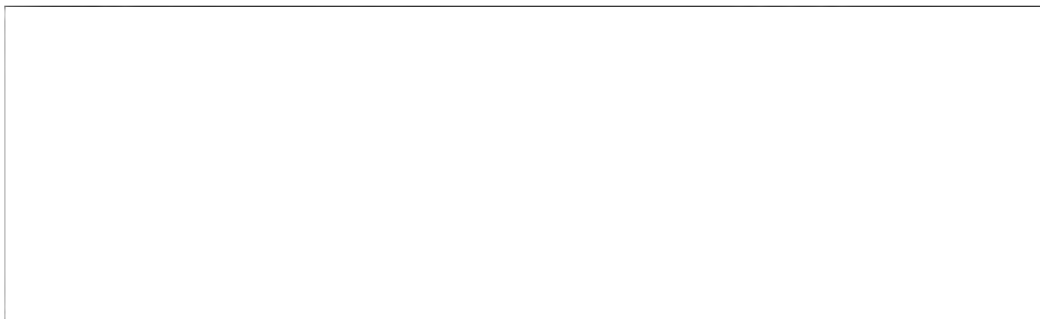
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PORTUGAL

The extreme left and the Communists yesterday stepped up their challenge to the government.

Hundreds of extreme leftist soldiers, aided by thousands of civilian supporters, took control of a heavy artillery regiment overlooking Porto, Portugal's second largest city. The occupying soldiers, reassigned over the weekend because of their radical political views, had been beaten back by public security police on Monday evening when they attempted to rejoin their own unit. The artillery unit now under their control reportedly contains an arsenal of 700 tons of light arms and ammunition.

Seizure of the artillery unit represents the most serious threat so far to government efforts to restore military discipline. The government has been beset by a series of such incidents instigated by the extreme left. The commander of the Northern Military Region last night was reported trying to resolve the matter through negotiations.

In Lisbon, Major Dinis de Almeida, deputy commander of the extremist-controlled light artillery regiment, continues to be the principal agitator in the present effort by the far left. At a Communist-supported demonstration on Monday, Almeida attacked the parties taking part in the government, blaming them for the ruling military's successive failures in solving the country's economic difficulties.


The government also is being publicly challenged by high-ranking military government officials. Admiral Rosa Coutinho, a member of the Revolutionary Council, told a meeting of workers' councils on Monday evening that although Prime Minister Azevedo is a "man of the left," anyone is suspect who calls for order and discipline before the revolution is completed. Rosa Coutinho also made an unflattering comparison between the present government leaders and Hitler and Mussolini.

The Communist Party has not taken the lead in the current turmoil, but Communists did contribute to the tensions in Lisbon yesterday when they brought in thousands of workers by train to demonstrate support for a three-hour general strike by steel workers. The demonstrators converged on the Labor Ministry demanding that the government honor a wage agreement negotiated with the previous regime.

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Successive challenges to the government's authority by leftist military units, by Revolutionary Council member Rosa Coutinho, and more recently by the Communists have completely frustrated Prime Minister Azevedo's attempts to restore discipline and maintain public order. The extreme leftist opposition appears poorly organized, but there is serious question now whether the Azevedo government can muster sufficient support in the Lisbon area to hold off a concerted drive for power.



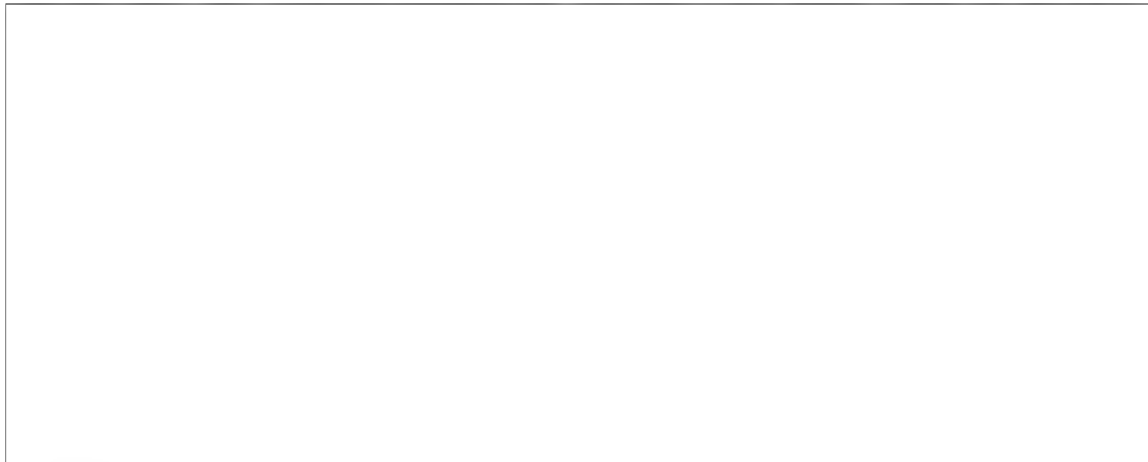
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ISRAEL

In a recent interview with an Israeli newspaper, Chief of Staff Lieutenant General Gur indicated that among his major concerns are the immediate threat from Syria and its potential allies, as well as the possible Arab use of Scud surface-to-surface missiles against Israeli targets.

The general viewed in positive terms Jordan's decision to purchase Hawk surface-to-air missiles. He said that if Jordan has to have them, it is better that they come from the US—inferring he hopes for some degree of US control over their deployment.

Turning to other Arab states, the general saw Saudi Arabia and Libya as having the potential for major involvement in a future conflict. In particular, he is concerned that Libya's acquisition of submarines and surface units could complicate Israel's naval problems.

Gur speculated that a future conflict might begin with a war of attrition on the eastern front that could escalate into general fighting. As an alternative scenario, he indicated that the Sinai front could erupt because of internal developments in Egypt, and that such a conflict was likely to spread to the eastern front. He also saw the introduction of sophisticated weapons systems as demanding a higher degree of tactical sophistication that would make the classical use of armor more difficult.

From Gur's comments, it seems that the Israelis are likely to focus more attention on the eastern front as the Sinai agreement is implemented and in the absence of progress toward a settlement with Syria. The Israelis will pay particular attention to Jordanian and Syrian military cooperation and Syrian efforts to involve Lebanon in the eastern front—without, of course, playing down the Egyptian threat.

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WEST GERMANY - PORTUGAL

The West German government intends Defense Minister Georg Leber's three-day visit to Portugal starting today to be a gesture of support for the Azevedo government.

Leber was invited by President Costa Gomes some time ago, but said he could not accept until the political situation had stabilized. Although the Germans do not believe this has been accomplished, they may have concluded that an overt show of support at this time might help the anti-Communist forces. Leber is scheduled to meet with Costa Gomes, Prime Minister Azevedo, Foreign Minister Antunes, and other members of the Armed Forces Movement and the political parties.

High on the list of bilateral matters is the question of the German air base at Beja. The agreement giving the West Germans use of the facility does not expire until 1978, but a joint working group is to meet in Bonn later this month to discuss its future. The West German air force makes little use of Beja and probably would like to pull out. For political reasons, however, Bonn wants to maintain a presence there. Bonn is concerned about the disruptive political activity of the Portuguese military forces on their part of the base and probably hopes to receive assurances that Lisbon will control them. Beja, however, is in the southern military region, where Communist influence is greater than in the north.

Leber is the first cabinet-rank West German to pay an official visit to Portugal since the coup in April 1974, although many West German politicians and parliamentarians have made informal visits.

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CHINA

China's international merchant fleet is growing rapidly.

Since the end of 1971, more than 2.7 million deadweight tons (DWT) have been added to the fleet, enabling China to carry a larger portion of its foreign trade, thereby reducing chartering costs. Peking also has signed a number of international agreements to expand its worldwide maritime capabilities.

China's first tankers and bulk carriers were added in 1974 and have accounted for more than half the new tonnage. Ocean shipping tonnage now exceeds 7 million DWT, enabling the share of trade carried by Chinese-flag ships to increase from less than 10 percent before 1972 to more than one third this year. In addition, the acquisition of tankers and bulk carriers has allowed the fleet to carry a larger portion of China's growing petroleum exports as well as grain, ore, and fertilizer.

China also has agreements involving docking and repair facilities. It is building a 300,000-ton drydock on Malta which could result in a permanent Chinese maritime presence there. Repair facilities in Romania and Albania are frequently used by Chinese merchant ships, as are facilities in Singapore.

Peking is moving cautiously into new shipping technologies. Containerization began with a limited China-Japan service using Japanese ships in 1973 and expanded with additional service from Hong Kong to the US, Canada, and Western Europe in 1974. Three major Chinese ports now are being equipped to handle a limited number of containers.

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FOR THE RECORD

EAST GERMANY - USSR: East Germany and the Soviet Union signed a new 25-year treaty of mutual friendship and assistance in Moscow yesterday to replace the 20-year pact they had signed in 1964. The treaty does not mention eventual German reunification, refers only to the inviolability of all post - World War II borders, and calls on East Berlin and Moscow to develop their "ties" to West Berlin on the basis of the Four-Power Agreement signed in 1971. The new treaty predictably replays the earlier agreement's wording that West Berlin is not a part of West Germany and may not be governed by it.

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THAILAND

A current assessment by the US embassy in Bangkok states that while communist insurgency does not yet pose a serious short-term threat to the Thai government, the situation will continue to deteriorate because of Bangkok's inattention to the problem. There are several ominous trends:

--Thai insurgents are making larger scale attacks against government outposts this year.

--The communists are being more selective in their attacks. While the overall number of military incidents is down, government casualties have increased compared with last year.

--It has become fashionable for student radicals to assist the communists in their urban and rural political activities, and there is evidence that some well-known activists have joined the insurgent ranks in recent months.

The communists have not been able to make a quantum jump in their political appeal or armed strength. Nevertheless, the Communist Party of Thailand is making a major effort to proselytize

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If support from Hanoi and Peking increases, the insurgency's intensity will pick up. There is no evidence of significantly increased external support, however, and the communist victories in Indochina have not yet had a perceptible effect on the Thai insurgency. The upcoming dry season in November will be the first opportunity for sustained activity since the fall of Cambodia and South Vietnam last spring, and may give an indication of what the future level of insurgency in Thailand will be. In all probability, there will be a gradual upswing.

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